



Model Return Sharia Shares of Companies Registered in Jakarta Islamic Index (JII) for the 2012-2022

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ABSTRACT

This study develops a return model for Sharia-compliant stocks listed in the Jakarta Islamic Index (JII) from 2012 to 2022 examining the influence of macroeconomic and corporate governance factors. Specifically, it investigates the roles of Inflation, the Bank Indonesia Sharia Certificate Rate (SBIS), Islamic Corporate Governance (ICG), and Islamic Corporate Social Responsibility (ICSR) on firm profitability and Sharia stock returns. It also analyzes the mediating effect of profitability on stock returns. This research addresses a global concern regarding sustainable and ethical investment in Islamic capital markets, offering insights into how Sharia-compliant companies perform under financial and social governance standards. Employing a quantitative approach with Structural Equation Modeling (SEM) via SmartPLS, the study examines eight consistently listed companies in the JII over 11 years using purposive sampling. Results reveal that ICG and ICSR significantly enhance both profitability and stock returns, affirming their strategic value in Islamic equity markets. Inflation and SBIS, however, show no significant direct or indirect effect on profitability or returns. This model contributes novel empirical evidence on return behavior in Islamic equities, supporting global efforts toward ethical finance. Future research should expand the dataset and explore cross-country comparisons within Islamic stock indices.

Keywords: inflation, SBI sharia reward rate, islamic corporate governance, islamic corporate social responsibility.

INTRODUCTION

Shares are the most popular type of security and are often traded on the capital market. Shares are often considered the most profitable securities for investors because investors have the opportunity to earn money return which is the rate of return from stock investment.¹ Mark, Return this can be predicted through the information presented by the company, so that investors can

¹ N Pankunni and S R Kumar, "Volatility of Returns in Stock Market Investments: A Study of BRICS Nations," *Finance: Theory and Practice* 27, no. 2 (2023): 87-98.

consider the risks and also assess the amount of return they will receive from their investment.²

If the information in the capital market about the company can be obtained fully and truly, then it is said that the capital market is efficient. This is in accordance with the efficient market theory or Efficient Market Hypothesis.³ However, in reality, the capital markets often do not match this theory. This is due to the opposite market anomaly. This is an excessive reaction of investors due to information that causes investors to behave irrationally.⁴ In reality, apart from being influenced by information originating from within the company, company share prices are also influenced by environmental conditions and events that affect others that are developing which sometimes have nothing to do with the company. However, it turns out that this market anomaly has caused quite a significant effect on return shares in the capital market.

On the other hand, on return, these shares then have the most crucial position, which can make them halal or haram *trading* shares. This lies in the behavior of investors, whether they are opportunists who just want to speculate or take advantage of the momentum. In this position, the question is again whether investing in shares is halal or haram. This is interesting because basically, return shares are just a matter of ownership transfer, which means that if the shares are sold, the investor no longer receives the return share. So, in this case, of course, investors need accurate information to be able to make the right investment decisions.⁵

Before deciding to buy shares and enjoy returns, of course, the decision is based on an investment strategy, and one of the techniques that can be used in making investment decisions is value investing. Value investing itself is a mechanism for purchasing stock securities at lower/cheaper prices, but accompanied by analysis of the company's fundamental ratios, intrinsic value of shares, and Margin of Safety (MoS), and looking at macroeconomic conditions.⁶ Value investing is considered suitable for investors who have a lot of patience

² Y Ma et al., "Quantitative Stock Portfolio Optimization by Multi-Task Learning Risk and Return," *Information Fusion* 104 (2024).

³ R Kanapickienė et al., "A COMPREHENSIVE REVIEW OF BEHAVIORAL BIASES IN FINANCIAL DECISION-MAKING: FROM CLASSICAL FINANCE TO BEHAVIORAL FINANCE PERSPECTIVES," *Journal of Business Economics and Management* 25, no. 5 (2024): 1006–1029.

⁴ D D Pathak and B S Thapa, "Beyond Market Anomalies: How Heuristics and Perceived Efficiency Shape Investor Behavior in Developing Markets," *Investment Management and Financial Innovations* 21, no. 3 (2024): 1–12.

⁵ M R Begam, M Babu, and M M Sulphey, "Development and Validation of an Islamic Investor's Sentiment Scale for Stock Market Investment," *Business Perspectives and Research* 12, no. 1 (2024): 26–44; M E H El Maknoui and I M Jadalhaq, "Where Are Islamic Finance Indices Pointing towards?: Lessons from Experimental 'Pockets' of Islamic Financial Regulation on International Stock Markets," *Journal of Financial Regulation and Compliance* 28, no. 2 (2020): 267–281.

⁶ A Z Isiksal, A Backhaus, and D Jung, "Value Investing across Asset Classes," *Economic Research-Ekonomska Istrazivanja* 32, no. 1 (2019): 1407–1429.

because the maximum profit will be obtained when the shares are then resold in the next few years, which, of course, in the long term will definitely get a return on stock.⁷

Assessment and analysis to assess issuer shares can be done in various ways, the most common of which is by carrying out fundamental stock analysis and macroeconomic analysis.⁸ However, it is not easy for investors to make investment decisions. This is because each company has different characteristics, so that investors will be faced with difficulties in determining which fundamental factors and macroeconomic factors are the most dominant in shaping stock returns.⁹

In this research, it was identified that several factors could influence the return of Sharia stocks, including macroeconomic factors, which are proxied by inflation and the SBI Sharia reward rate (SBIS), and stock fundamental factors, which in this research are proxied through profitability (ROA), Islamic Corporate Governance (ICG), and Islamic Corporate Social Responsibility (ICSR). As for macroeconomic factors as independent variables, namely inflation and interest rates, these macroeconomic factors most often attract the attention of investors and are considered to influence return shares directly. Where fluctuations occur return shares, profitability, inflation, and interest rates are quite interesting things because they are considered capable of contributing to the delivery of information to all interested parties, in this case, the stockholder, investors, government, and society, regarding determining good investment choices.¹⁰

The occurrence of an economic crisis is clear evidence of the existence of uncertainty regarding future economic conditions, which can influence the continuity of the company, and thus it will have a direct effect on the level of return on shares. Abnormal stock movements, caused by the global monetary crisis, and various macroeconomic variables will create the phenomenon of fluctuating stock prices of issuers in the capital market, which will have an impact on return shares.¹¹

The capital market in Indonesia is a relatively deep emerging market, which is quite vulnerable to changes in macroeconomic conditions. Slowing economic activity as a result of the pandemic, COVID-19, has also resulted in a decline in the number of Indonesian exports and imports, triggering a sharp

⁷ R Priel and L Rokach, "Machine Learning-Based Stock Picking Using Value Investing and Quality Features," *Neural Computing and Applications* 36, no. 20 (2024): 11963–11986.

⁸ P.N.V.S.M. Rao et al., "A Review on Fundamental and Technical Stock Analysis," in *AIP Conference Proceedings*, ed. Tara S. et al., vol. 2477 (Department of CSE, B V Raju Institute of Technology, Medak District, TS, Narsapur, India: American Institute of Physics Inc., 2023).

⁹ L M Ribeiro and S R M Oliveira, "Investment Decision Making Using Fuzzy Logic and Ahp," in *Lecture Notes in Networks and Systems*, ed. Karabegovic I., Kovačević A., and Mandzuka S., vol. 1070 LNNS (Fluminense Federal University, Rio de Janeiro, Volta Redonda, Brazil: Springer Science and Business Media Deutschland GmbH, 2024), 445–454.

¹⁰ P.-C. Sia et al., "Does Inflation or Interest Rate Matter to Indonesian Stock Prices? An Asymmetric Approach," *Journal of Economics and Development* (2024).

¹¹ M.-E.K. Agoraki, G P Kouretas, and N T Laopodis, "Geopolitical Risks, Uncertainty, and Stock Market Performance," *Economic and Political Studies* 10, no. 3 (2022): 253–265.

decline in the performance of a number of companies and affecting investors' investment decisions in the capital market, especially stock securities.

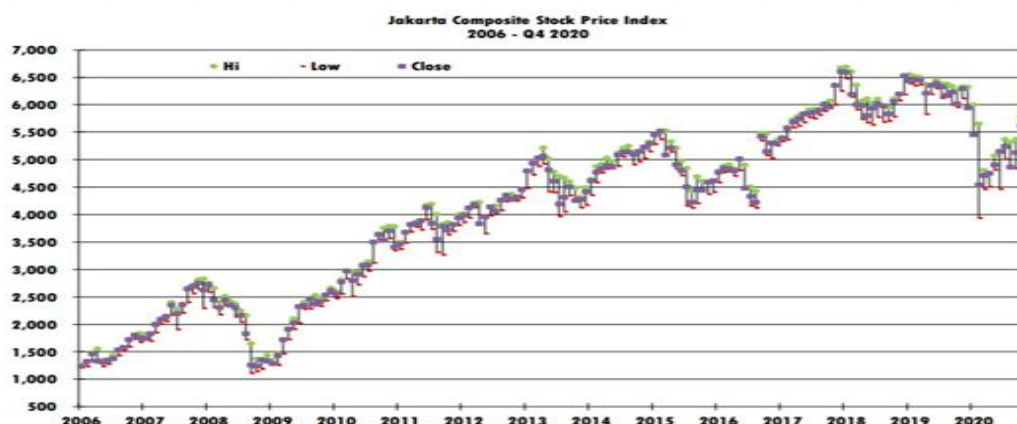


Figure 1. JCI movement in the last 15 years

The fundamental factors of this research include elements related to Islamic aspects. This is because not all Muslim investors in the stock market understand the concept of sharia finance, but are confident in using sharia financial products. This belief is, of course, thought to have been born from the beliefs of the spiritual teachings he followed.¹² In this research, it is assumed that when investing, investors, especially those who are Muslims, want to get blessings in their investment, meaning that in investing, apart from that, they gain financial profit through return shares in the form of material/money (Profitability/ROA), they also want to ensure that the company has fulfilled the principles of governance in accordance with sharia principles that reflect sustainability company (*Islamic Corporate Governance*), investors also want to earn social *benefit* by ensuring that the company has carried out its social obligations by contributing to society (*Islamic Corporate Social Responsibility*) so that investors feel calm about what they get from the results return the shares they get because they touch on aspects of religiosity and spirituality as they believe.

Furthermore, this research is interesting to study further because it was recorded that there were many violations related to corporate governance as stated in the report *Good Corporate Governance 2018* reported by the company, where there were four internal cases recorded fraud that happened at Bank BJB Syariah in 2018 and affected the bank's operational activities and caused large losses of more than hundreds of millions of rupiah.¹³ The emergence of cases of corporate governance violations makes researchers want to look further into the

¹² Muhamad Firdaus Rahmadana et al., "Determinants of Islamic Stock Market Return: Evidence from Indonesia," *Jurnal Ekonomi dan Keuangan Islam* 8, no. 2 (2022): 135-144, <https://doi.org/10.20885/jeki.vol8.iss2.art6>.

¹³ MAHENDRA, Taufik Riza; HANAFI, Syafiq Mahmadah. The Influence of Financing, Social Finance, and GCG On Islamic Bank Financial Stability in Indonesia. *Jurnal Magister Ekonomi Syariah*, 2024, 3.2 Desember: 88-109.

influence *Islamic Corporate Governance* (ICG) on the performance of companies listed in *Jakarta Islamic Index* due to failure in implementation ICG on companies will definitely be an obstacle to industrial growth, as well as a failure in achieving stability in the financial system as a whole, and what is no less important is a decrease in public trust.¹⁴ Issues about Islamic Corporate Governance in companies, especially those based on sharia, are very crucial, because one of the determining factors that can trigger an increase in financial performance is Islamic Corporate Governance. This system regulates and controls companies to run their business in accordance with Islamic principles.

The limited information on social responsibility (ICSR) reported by companies is still a dilemma regarding the assessment of corporate social responsibility towards the surrounding environment. Several studies show that reporting on corporate social responsibility is, in fact, still limited to descriptive information. In fact, information about corporate social responsibility should also be based on quantitative data so that the information is more informative, reliable, and comparable. Moreover, the information presented is voluntary, and there are no supporting regulations to regulate the mechanism for presenting information regarding corporate social responsibility to the public.¹⁵ Even though the company failed to communicate, corporate social responsibility can have an impact on decreasing or even withdrawing support from stakeholders and this will certainly have a negative impact on the company's reputation as an entity that must be socially responsible to the community and the surrounding environment, and also result in other things that can be detrimental to the company's overall performance.

The scope of the Sharia capital market, which continues to grow rapidly, has created entities that are members of the Jakarta Islamic Index (JII), which is expected to present a religious dimension in the disclosure of its annual report, aimed at providing benefits to stakeholders, especially Muslim investors. So an index is needed that can filter which companies meet standards and are in accordance with Sharia principles, one of which is companies that are members of Jakarta Islamic Index (JII), which, in presenting its social responsibility report in its annual report, presents religious aspects as a form of fulfilling the entity's obligations in accordance with Islamic law. On the other hand, the JII index has also continued to experience quite significant developments over the last few years. Likewise, JIM's market capitalization also continues to increase every year (except since the beginning of 2020), and continues to experience significant growth.

The purpose of this study is to empirically examine the influence of various macroeconomic factors and sharia-based corporate characteristics on the

¹⁴ Jungo, João, Mara Madaleno, and Anabela Botelho. "Financial literacy, financial innovation, and financial inclusion as mitigating factors of the adverse effect of corruption on banking stability indicators." *Journal of the Knowledge Economy* 15.2 (2024): 8842-8873.

¹⁵ Nikolaeva, Ralitza, and Marta Bicho. "The role of institutional and reputational factors in the voluntary adoption of corporate social responsibility reporting standards." *Journal of the Academy of Marketing Science* 39 (2011): 136-157.

financial performance and stock returns of companies listed on the Jakarta Islamic Index (JII). Specifically, this research aims to investigate the effects of inflation, the rate of return on Bank Indonesia Sharia Certificates (SBIS), Islamic Corporate Governance (ICG), and Islamic Corporate Social Responsibility (ICSR) on company profitability. Additionally, it analyzes how these factors, including profitability, impact stock returns. Furthermore, the study explores the mediating role of profitability in the relationship between inflation, SBIS return rates, ICG, and ICSR with stock returns. This comprehensive approach seeks to provide deeper insights into the financial dynamics of sharia-based companies in Indonesia's capital market, offering strategic recommendations for stakeholders.

Research Framework

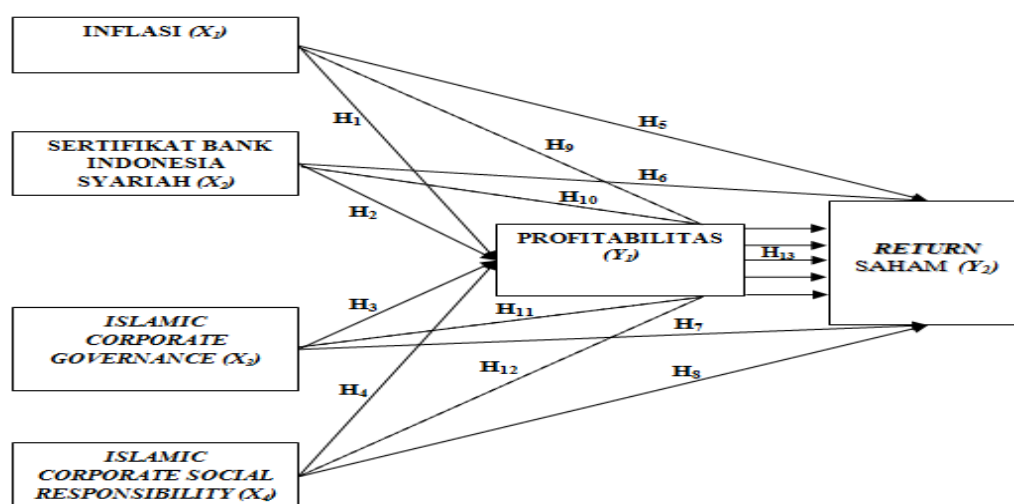


Figure 3. Research Framework

METHODS

The research used for this research is an associative descriptive with a quantitative approach. The type of data used for this research is secondary data, namely in the form of annual financial reports (annual reports) of companies registered in the Jakarta Islamic Index, as well as data regarding inflation and Bank Indonesia Sharia Certificates in Bank Indonesia reports. This data will later be analyzed using appropriate analytical tools, namely, Path Analysis (path analysis), where Path Analysis is carried out using the SEM application Smart PLS. PLS uses two stages of measurement selection, namely the measurement model (outer model) and the model structure (inner model). Measurement selection stages with the Outer Model include indicators of convergent validity, discriminant validity, and compositional reliability. Meanwhile, the measurement selection stage with inner model using R Square make variable depend, Q Square predictive relevance for structural models and Path Coefficients for hypothesis testing.

All companies registered in the Jakarta Islamic Index are included in this research. So, we got a population of 30 companies. (www.idx.co.id). Determination of samples using the purposive sampling technique. The criteria for selecting samples are as follows:

- 1) Companies registered in the Jakarta Islamic Index and never delisting during the research observation year, namely 2012-2022.
- 2) Companies registered in Jakarta Islamic Index and have complete data related to the variables used in the research.

So, it produces the following sample:

Table 1. Research Sample

No.	Stock Code	Company Name
1	ADRO	PT Adaro Energy Tbk
2	AKRA	PT AKR Corporindo Tbk
3	ICBP	PT Indofood CBP Sukses Makmur Tbk
4	KLBF	PT Kalbe Farma Tbk
5	SMGR	Semen Indonesia (Persero) Tbk.
6	TLKM	PT Telkom Indonesia (Persero) Tbk
7	UNTR	PT United Tractors Tbk
8	UNVR	PT Unilever Indonesia Tbk

Source: Processed Data, 2023

RESULT

SEM Analysis Test Results Scheme -Smart Partial Least Squares

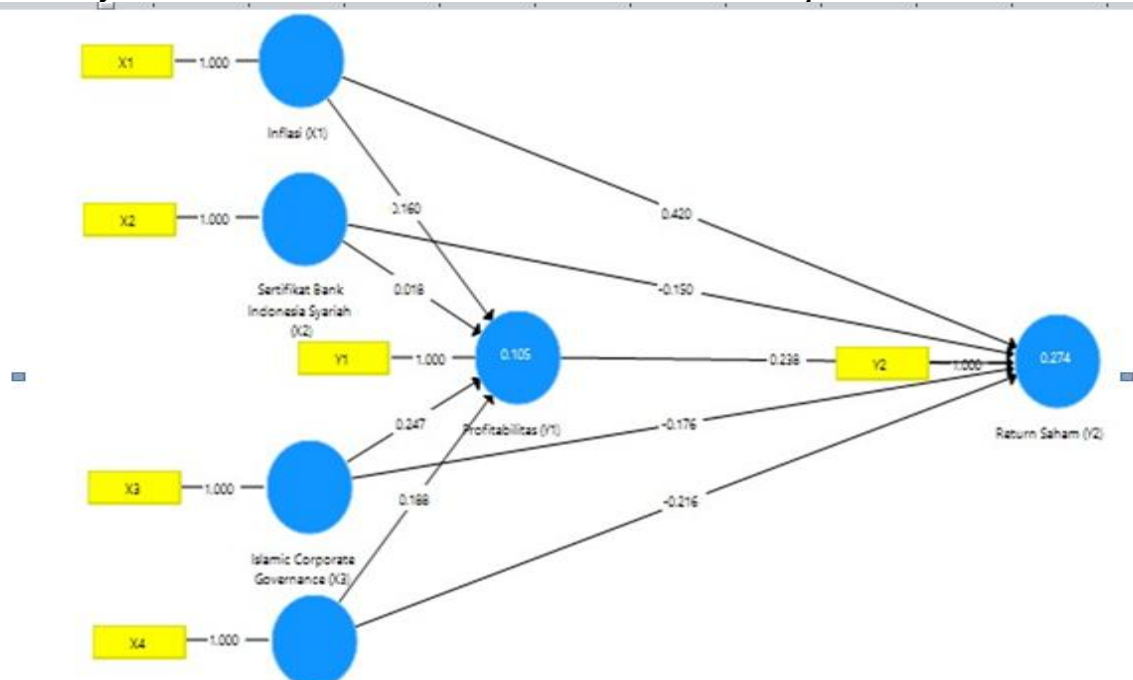


Figure 4. Outer Model

Validity testing is used to determine the extent to which the indicators (questions or observation variables) used in measurement are able to measure the latent variable in question correctly. There are several types of validity, such as construct validity (*construct validity*), which includes convergent validity (*convergent validity*) and discriminant validity (*discriminant validity*).

Convergent Validity

Table 2. Test results Factor Loading (FL)

Variable	Variable Manifesto	Factor Loading	Indicator	Conclusion
Inflation (X ₁)	X ₁ --> 1	1.000	≥ 0,60	Valid
Rate of Return (SBIS) (X ₂)	X ₂ --> 1	1.000	≥ 0,60	Valid
Islamic Corporate Governance (X ₃)	X ₃ --> 1	1.000	≥ 0,60	Valid
Islamic Corporate Social Responsibility (X ₄)	X ₄ --> 1	1.000	≥ 0,60	Valid
Profitability/ ROA (Return on Assets) (AND ₁)	AND ₁ --> 1	1.000	≥ 0,60	Valid
Return Saham (Y ₂)	AND ₂ --> 1	1.000	≥ 0,60	Valid

Source: processed data, 2023

Table 2. above explains that the secondary data that researchers obtained from each inflation variable (X₁), Bank Indonesia Sharia Certificate (SBIS) Rate of Return (X₂) Islamic Corporate Governance (X₃), Islamic Corporate Social Responsibility (X₄), Profitability/ ROA (Return on Assets) (AND₁) and Return Saham (Y₂) has value factor loading above 0.6. So it can be concluded that all secondary data that researchers obtained from each inflation variable (X₁), Bank Indonesia Sharia Certificate (SBIS) Rate of Return (X₂) Islamic Corporate Governance (X₃), Islamic Corporate Social Responsibility (X₄), Profitability/ ROA (Return on Assets) (AND₁) and Return Saham (Y₂) in this study was declared valid because the FL value was > 0.6.

Table 3. AVE Test Results

Variable	Mark AVE	Indicator	Conclusion
Inflation (X ₁)	1.000	≥ 0,50	Valid

Bank Indonesia Sharia Certificate (SBIS) Rate of Return (X₂)	1.000	≥ 0,50	Valid
Islamic Corporate Governance (X₃)	1.000	≥ 0,50	Valid
Islamic Corporate Social Responsibility (X₄)	1.000	≥ 0,50	Valid
Profitability/ ROA(Return on Assets) (AND₁)	1.000	≥ 0,50	Valid
Return Saham (Y₂)	1.000	≥ 0,50	Valid

Source: processed data, 2023

Based on the AVE test in Table 3, it can be concluded that the test's convergent *validity is declared* valid. This is because all variables show an AVE value of more than 0.5.

Discriminant Validity

Table 4. Results Cross Loading

Research variable	X ₁	X ₃	X ₄	AND ₁	AND ₂	X ₂
Inflation (X ₁)	1.000	-	-	0.078	0.410	0.684
		0.325	0.072			
Rate of Return (SBIS) (X ₂)	0.684	-	-	0.054	0.208	1.000
		0.247	0.065			
Islamic Corporate Governance (X ₃)	-0.325	1.000	0.125	0.214	-0.252	-
						0.247
Islamic Corporate Social Responsibility (X ₄)	-	0.125	1.000	0.206	-0.210	-
	0.072					0.065
Profitability (ROA (Return on Assets))(AND ₁)	0.078	0.214	0.206	1.000	0.180	0.054
Return Saham (Y ₂)	0.410	-	-	0.180	1.000	0.208
		0.252	0.210			

Source: processed data, 2023

Table 4 above explains the test of discriminant *validity* with method of cross loading, which meets the requirements. This is because each secondary data item has a correlation value with its construct that is greater than the correlation value with other constructs.

Reliability Test

Reliability testing must be carried out to find out whether each item in the variable data meets the credibility criteria. This research uses two methods in reliability testing, namely Cronbach's alpha to measure the lower limit of the reliability value of data and composite reliability to measure the true value of the reliability of a construct. A variable data item is said to be reliable if the indicator value Cronbach's alpha and composite reliability are above 0.60. As for the assessment results, Cronbach's alpha and composite reliability are through the following table:

Table 5. Reliability Test Cronbach's Alpha

Variable	Cronbach's Alpha	Indicator	Conclusion
Inflation (X_1)	1.000	$\geq 0,60$	Reliable
Rate of Return (SBIS) (X_2)	1.000	$\geq 0,60$	Reliable
<i>Islamic Corporate Governance</i> (X_3)	1.000	$\geq 0,60$	Reliable
<i>Islamic Corporate Social Responsibility</i> (X_4)	1.000	$\geq 0,60$	Reliable
Profitability/ ROA(<i>Return on Assets</i>) (AND_1)	1.000	$\geq 0,60$	Reliable
<i>Return Saham</i> (Y_2)	1.000	$\geq 0,60$	Reliable

Source: processed data, 2023

Table 5 shows the results of reliability testing using assessment indicators cronbach's *alpha* has a value above 0.60 so it can be concluded that all construct variables and indicators in this research are reliable.

Table 6. Composite Reliability

Variable	Composite Reliability	Indicator	Conclusion
Inflation (X_1)	1.000	$\geq 0,70$	Reliable
Rate of Return (SBIS) (X_2)	1.000	$\geq 0,70$	Reliable
<i>Islamic Corporate Governance</i> (X_3)	1.000	$\geq 0,70$	Reliable
<i>Islamic Corporate Social Responsibility</i> (X_4)	1.000	$\geq 0,70$	Reliable

Profitability/ ROA(Return on Assets) (AND ₁)	1.000	≥ 0,70	Reliable
Return Saham (Y ₂)	1.000	≥ 0,70	Reliable

Source: processed data, 2023

Table 6 above shows that all variables in this study have values above 0.70, so they can be interpreted based on the assessment indicators' composite reliability. *All* indicators in this study have met the requirements. The reliability test in this research uses assessment indicators Cronbach's alpha, and composite reliability, meet the criteria or have met the conditions.

Analysis Inner Model

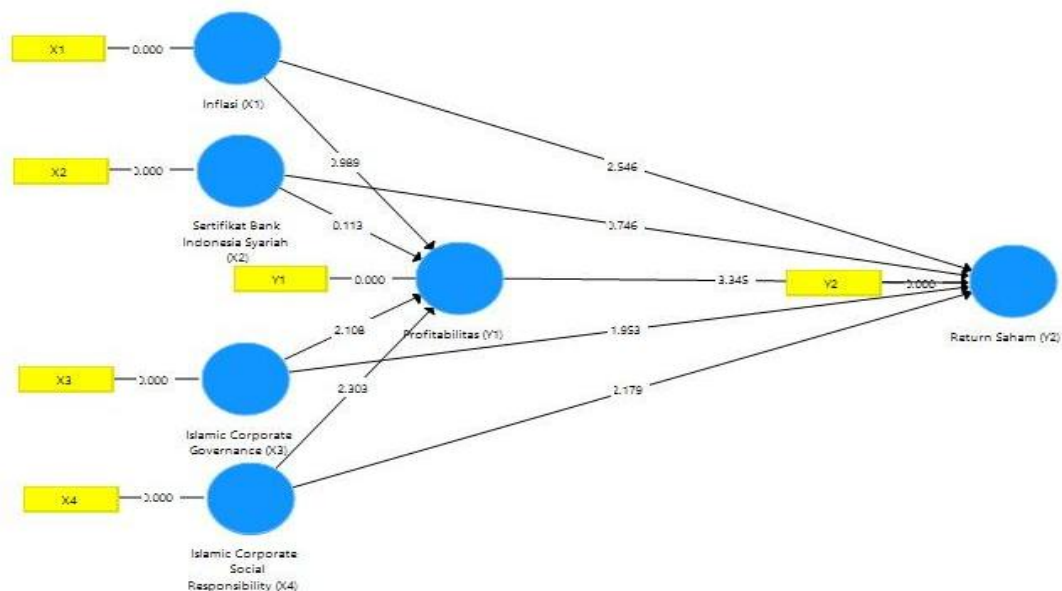


Figure 5. Inner Model

The next test or second test in this research is with a structural model (*inner model*) through three types of evaluation, namely *R square*, *Q s assessment* and *assessment Path Coefficient, t value* and *p value*. The test results from each assessment will be described below:

R Square

Table 7. R Test Results Square

Variable	R Square
Profitability/ ROA (Return on Assets) (AND ₁)	0,105
Return Saham (Y ₂)	0,274

Source: processed data, 2023

Based on table 7, it explains that the dependent variable is Profitability/ROA(Return on Assets) (AND₁) has an R value² of 10.5% and Return

Saham (Y_2) has an R value² amounting to 27.4%. This percentage means that the exogenous (free) variable is inflation (X_1), Rate of Return (SBIS) (X_2) Islamic Corporate Governance (X_3), Islamic Corporate Social Responsibility (X_4) describes the endogenous (dependent) variable Profitability/ROA (Return on Assets) (AND_1) of 10.5%, while the other 89.5% is explained by other factors not examined in this study. Furthermore, this percentage is interpreted as the exogenous (free) variable Inflation (X_1), Rate of Return (SBIS) (X_2) Islamic Corporate Governance (X_3), Islamic Corporate Social Responsibility (X_4) describes the endogenous (dependent) variable Return Saham (Y_2) 27.4% while the other 72.6% is described by other factors not examined in this study.

Hypothesis testing

In testing the hypothesis in this research, 3 (three) assessment indicators were used, namely based on values *Path Coefficient*, *t-value* and *p-value*.

Table 8. Hypothesis Test Results Through Path Coefficient, t-value, and p-value

Variable	Original Sample (O)	T Statistics (O/STDEV)	p- Values	Hypothetical Conclusion	
	Path Coefficient	t-Value		To	Ha
$X_1 \rightarrow And_1$	0.160	0.989	0.161	Accepted	
$X_2 \rightarrow And_1$	0.018	0.113	0.455	Accepted	
$X_3 \rightarrow And_1$	0.247	2.108	0.018		Accepted
$X_4 \rightarrow And_1$	0.188	2.303	0.011		Accepted
$X_1 \rightarrow And_2$	0.420	2.546	0.005		Accepted
$X_2 \rightarrow And_2$	-0.150	0.746	0.228	Accepted	
$X_3 \rightarrow And_2$	-0.176	1.953	0.025		Accepted
$X_4 \rightarrow And_2$	-0.216	2.179	0.015		Accepted
$X_1 \rightarrow And_1 \rightarrow And_2$	0.038	0.964	0.168	Accepted	
$X_2 \rightarrow And_1 \rightarrow And_2$	0.004	0.105	0.458	Accepted	
$X_3 \rightarrow And_1 \rightarrow And_2$	0.059	1.738	0.041		Accepted
$X_4 \rightarrow And_1 \rightarrow And_2$	0.045	1.803	0.036		Accepted
$AND_1 \rightarrow And_2$	0.238	3.3345	0.000		Accepted

Source: processed data, 2023

Based on table 8 above, the results of hypothesis testing in this research are explained as follows:

1. Inflation (X_1) has no effect on Profitability/ROA (Return on Assets) (AND_1).

2. Bank Indonesia Sharia Certificate (SBIS) Rate of Return (X_2) has no influence on Profitability/ROA(*Return on Assets*) (AND_1).
3. *Islamic Corporate Governance* (X_3) has a positive and significant influence on Profitability/ROA(*Return on Assets*) (AND_1).
4. *Islamic Corporate Social Responsibility* (X_4) has a positive and significant influence on Profitability/ROA(*Return on Assets*) (AND_1).
5. Inflation (X_1) has a positive and significant influence on *Return Saham* (Y_2).
6. Bank Indonesia Sharia Certificate (SBIS) Rate of Return (X_2) has no influence on *Return Saham* (Y_2).
7. *Islamic Corporate Governance* (X_3) has a positive and significant influence on *Return Saham* (Y_2).
8. *Islamic Corporate Social Responsibility* (X_4) has a positive and significant influence on *Return Saham* (Y_2).
9. Inflation (X_1) has no influence on *Return Saham* (Y_2) through Profitability/ROA(*Return on Assets*) (Y_1).
10. Bank Indonesia Sharia Certificate (SBIS) Rate of Return (X_2) has no influence on *Return Saham* (Y_2) through Profitability/ ROA (*Return on Assets*) (AND_1).
11. *Islamic Corporate Governance* (X_3) has a positive and significant influence on *Return Saham* (Y_2) through Profitability/ ROA(*Return on Assets*) (AND_1).
12. *Islamic Corporate Social Responsibility* (X_4) has a positive and significant influence on *Return Saham* (Y_2) through Profitability / ROA (*Return on Assets*) (AND_1).
13. Profitability/ ROA(*Return on Assets*) (AND_1) has a positive and significant influence on *Return Saham* (Y_2).

DISCUSSION

The Effect of Inflation on Profitability

If the company has stable and strong fundamentals, it will not be affected by inflation. This is because in general these companies generally already have a strong capital structure so that when high inflation occurs they can still maintain the stability of the company, plus in general the sample companies in this study are companies that have been around for quite a long time so they are quite experienced in dealing with inflation problem so that it can survive when high inflation occurs. So the higher the inflation, the company profitability will increase. When commodity prices tend to increase during inflation, producers will be motivated to increase the number of goods they produce. This is because consumers in conditions of high inflation will still buy products and services because they are basic needs, even though the prices are high. On the other hand, low inflation can increase national income. If the company is a company that produces basic necessities, it will experience a fairly large increase in profits. This type of company, during inflation, will definitely be encouraged to increase its production capacity to meet consumer demand. On the other hand, if the inflation rate is relatively low, companies can gain profits because they can

capture and maximize opportunities to take advantage of these profits by utilizing the market value of the assets they own.

The Influence of the Bank Indonesia Sharia Certificate (SBIS) Rate of Return on Profitability

When Islamic banks park their funds with SBIS, they are entitled to receive rewards because they have contributed to maintaining monetary stability. These rewards will be commensurate with the size of the investment made. So that return distributed to customers will also be large if the investment is large. This will attract investors' interest in shifting their investments to sharia banks rather than other investment instruments in the sharia capital market. When this happens it will have an impact on investment in the capital market which will result in a decline return shares, because the funds invested in the capital market that flow to the company also become limited and reduced. So the company will have difficulty in running or developing the business, which will ultimately have an effect on the profits generated. However, in reality, this impact does not have a significant effect on companies listed on Jakarta Islamic Index (JII) because these companies, especially those sampled in this study, are large companies and are classified as leaders, which will not be too disturbed and significantly affected by fluctuations in the increase or decrease in the SBIS reward rate.

Influence of Islamic Corporate Governance on Profitability

How far along is the company in implementation? Islamic Corporate Governance will determine the level of profitability. The better the company's quality in implementing it Islamic Corporate Governance then the company will be able to provide a good level of profit. Because Islamic Corporate Governance which is implemented well can have a positive effect not only on profitability but also a positive image on the part of investors. Islamic Corporate Governance It is not only carried out as a form of management responsibility for capital owners, but is seen as a basic necessity and need for every Muslim in carrying out the provisions of the Shari'a in full with belief in Allah in providing motivation in business transactions.

Influence Islamic Corporate Social Responsibility on Profitability

Corporate social responsibility activities will influence the company's ability to maximize profits, because these activities will create a positive image for the company. Companies that can carry out their social responsibility activities consistently, accompanied by good and open presentation and disclosure in their annual financial reports, will have a positive effect on financial performance. The better and wider the information regarding the disclosure of items in the program Islamic Corporate Social Responsibility If this is reported, profitability will also increase. This is due to implementation Islamic Corporate Social Responsibility reflects the company's concern for society and the surrounding natural environment as a form of overall responsibility towards Allah Swt.

The Effect of Inflation on *Return Shares*

The effects of inflation will definitely be felt by all companies in the industry. This situation will affect performance in the capital market, because many companies will have shortages and difficulties in obtaining capital and will not be able to operate at their normal capacity. As a result, the capital market is surrounded by quite high uncertainty. Because this research was conducted over a relatively long period of time, namely around 11 years, it can be included in the long-term category, which in this case proves that inflation in the long term will not have a serious impact on investors who invest their funds in the capital market. Investors understand that in the long term inflation will not cause their funds in the capital market to become dangerous. Apart from that, the government will definitely intervene and deal with inflation with a set of appropriate fiscal and monetary policies so that investors become more confident in placing their funds in the capital market.

The Influence of the Bank Indonesia Sharia Certificate (SBIS) Rate of Return on *Return Shares*.

Profits will be received by Sharia banks if the rewards they get from investing in SBIS are large, then the return the revenue shared with third parties, in this case customers, will also be high.¹⁶ This is able to attract investors to shift their investments to Islamic banks. However, on the other hand, if the SBIS reward rate is low, investors will be attracted to other types of investment instruments such as the Islamic capital market. When investors' interest in investing in the Islamic capital market decreases, it will decrease return sharia shares. This shows that these two investment instruments synergize with each other in creating an investment climate. This could happen because investors in the capital market do not want to shift their investments to deposits or savings when SBIS is high. This shows that fluctuations in the rise and fall of SBIS returns are not considered to have a strong ability to influence investors' interest in investing in the capital market. During the period during which the research was conducted, the fluctuations in the rate of return for Bank Indonesia Sharia Certificates (SBIS) were not too sharp and the value changes were also gradual for each period, so that these changes did not have too much of an impact on investment in the capital market. Moreover, the Bank Indonesia Sharia Certificate (SBIS) is only a monetary instrument in government policy so it does not have much meaning in investment flows in the capital market.

Influence Islamic Corporate Governance to *Return Shares*.

Corporate governance accompanied by effective control will be able to identify and reduce the ego of each interested party in the company, which is very necessary in company operations in order to achieve goals that can improve the welfare of all members stakeholder. Implementation practice Islamic Corporate Governance in fact, it is able to demonstrate reliability in reflecting actual conditions in the implementation of Sharia. This relates to the principles of disclosure and transparency that are promoted Islamic Corporate Governance

¹⁶ Nur Laily Suciningtias, Perempuan dan Ekonomi...

and can minimize earnings management actions. Implementation Islamic Corporate Governance can influence shareholders and potential investors and give them confidence that the investments they make are in accordance with sharia. Running a company with Islamic Corporate governance well, will create confidence in investors that the company is protected and does not carry out reprehensible actions such as earnings management, which ultimately makes investors confident to invest their funds.

Influence Islamic Corporate Social Responsibility to Return Shares.

Return Shares can be interpreted as compensation for the amount of funds that have been invested in shares. Annual reports are one source of information for investors. Thus, the level of disclosure in the annual report will have an impact on share price movements which in turn have an impact on return share. From an economic perspective, companies will disclose information if the information can increase the company value. One of them is the social and environmental reporting program. Companies that carry out ICSR activities tend to gain legitimacy from the community, so that conflicts of interest between the community and the company can be minimized. Based on understanding Signaling The theory explained by Hartono, which shows indications that ICSR disclosure can be used as information determining investment decisions by investors.¹⁷ Social and environmental responsibility reporting itself is a form of commitment to the company's business ethics in running a business so that it makes a profit. In the future, the profits obtained by the company will have a positive impact which tends to be large for the company. This advantage is key information for investors in analyzing a company to make investment decisions.

The Effect of Inflation on Return Stocks through Profitability.

The inability of profitability to mediate the effect of inflation on return shares due to changes in profitability do not have a significant impact on the influence of inflation on return share. Profitability is proxied by ROA (Return On Assets) published in financial reports is less informative for investors in estimating return share. Investors do not respond to ROA as information or a signal that can change their interest in a stock, so it does not influence it Return These shares. This shows that investors do not solely use ROA (Return On Assets) as a measure in assessing company performance to predict Return Shares in the capital market.

The Influence of the Bank Indonesia Sharia Certificate (SBIS) Rate of Return on Return Stocks through Profitability.

When the rewards obtained by sharia banks in investing in SBIS are large, of course the profits obtained by sharia banks will also be large, then return The proceeds are shared with DPK (Third Party Funds), namely customers who save, deposits will also be high. This is able to attract investors to switch to investing in sharia banks rather than other investment instruments, such as the sharia capital market.¹⁸ When investors' interest in investing in the Islamic capital

¹⁷ Hartono, *Metodologi Penelitian Bisnis...*

¹⁸ Nur Laily Suciningtias, *Perempuan dan Ekonomi...*

market decreases, of course this will trigger a decrease in investment funds flowing into the company, as a result, the company will have difficulty in meeting sufficient capital to be used in the company, this will cause the company to experience a decrease in profits which in turn will lower return sharia shares that will be received by company shareholders.

Influence Islamic Corporate Governance to Return Stocks through Profitability

Lack of awareness of basic values and practices in running a business, even though currently companies are competing to implement them Islamic Corporate Governance, but only limited to fulfilling business demands. But in reality the system governance has not been implemented optimally. The company implements the practice Islamic Corporate Governance still limited to compliance with various applicable regulations. It should be implemented Islamic Corporate Governance able to improve financial performance, especially in increasing profitability.¹⁹ Because the level of profitability is used by investors as an important piece of information before making an investment. as an indicator in measuring the company's financial performance, so that it can be used as a reference for assessing the company, companies with a high level of profitability reflect high company value, and vice versa.

Influence Islamic Corporate Social Responsibility to Return Stocks through Profitability

Through the company's profitability level, investors can see the company's growth prospects in the future. Investors look at the company's condition from many angles, including the company's image in the public eye. The company's image will be positive if the company can overcome problems that arise through implemented ICSR activities. ICSR is a positive activity or activity that is important for companies to carry out to protect the environment and surrounding communities. Companies that implement ICSR will gain a good image from the public and investors. It is hoped that the disclosure of ICSR information will increase investors' interest in investing. If there are a lot of investors who invest their funds in the company then return the company's shares will increase. The company sends a signal through its annual report. Companies that carry out ICSR activities provide a positive signal, namely that the company will be more respected and superior to companies that do not carry out ICSR activities because they care about social and environmental impacts. Companies that carry out ICSR activities will be appreciated by investors. ICSR activities carried out by the company will influence investors to buy company shares, consumers and the public will also be interested in buying products produced by the company so that the profits received by the company will increase. When company profits increase, the company's shares will increase. Apart from maintaining the company, profitability is also able to strengthen the company's financial condition. In ICSR disclosure, profitability is one of the

¹⁹ Nursito, *Tindak Pidana Korupsi: Perspektif...*

determining factors that ICSR disclosure is believed to be able to increase company profitability, thereby attracting investors to invest.

Influence of Profitability/ ROA (Return on Asset) to Return Shares.

Company shares go public As an investment commodity, it is classified as having a high level of risk because it is very sensitive to changes in political and economic conditions as well as changes that occur within the company itself. These changes can have a positive or negative impact on the company's share price. This shows that investors need to be careful when investing in shares to prevent possible losses. One effort to prevent these losses is to predict return shares that investors may receive in the future. Predicted Return shares can be done by analyzing company performance. One of the main things that is often used to analyze company performance is analyzing company finances. Company financial analysis requires several benchmarks. The benchmark that is often used is a financial ratio or index that connects two financial data with each other. One of the ratios that can be used in analyzing company performance to predict return on stock is a profitability ratio. The profitability ratio describes the company's ability to generate profits from its funding sources.²⁰

CONCLUSION

Based on the analysis conducted, this study concludes that inflation and the rate of return on Bank Indonesia Sharia Certificates (SBIS) have no significant influence on profitability. However, Islamic Corporate Governance (ICG) and Islamic Corporate Social Responsibility (ICSR) have a positive and significant influence on profitability. Furthermore, inflation, Islamic Corporate Governance (ICG), Islamic Corporate Social Responsibility (ICSR), and profitability positively and significantly influence stock returns, while the SBIS return rate does not influence stock returns. In terms of mediation, profitability does not mediate the relationship between inflation and SBIS return rates with stock returns. However, profitability mediates the influence of Islamic Corporate Governance (ICG) and Islamic Corporate Social Responsibility (ICSR) on stock returns positively and significantly.

These findings contribute to the understanding of how macroeconomic factors and sharia-based corporate characteristics impact profitability and stock returns directly and indirectly through profitability. This study provides strategic insights for companies to enhance their governance and social responsibility practices, which ultimately contribute to improved financial performance and investor confidence. Future research could expand the scope by including additional variables such as firm size, market risk, and other financial ratios, as well as examining different sharia stock indices in Indonesia for a broader perspective.

Author's Contribution

²⁰ Masdar Budiharjo, *Pendidikan dan Pembangunan Bangsa* (Yogyakarta: Pustaka Pelajar, 2016).

Desi Ika, Andri Soemitra: Contribute to formulating research ideas, collecting data, processing data, and interpreting data, writing systematics, and research methods.

Nurlaila, Al-Mahdi: Contributing to analyzing interpretation results, the language proofread.

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Declaration of Competing Interest

The author declares that there is no conflict of interest.

Ethical Approval

Ethical approval No patient-identifying parts in this paper were used or known to the authors. Therefore, no ethical approval was requested.

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